



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARLISLE COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
CALENDAR YEAR 1999
FEE AUDIT

Description of Office:

The County Clerk has been charged with the responsibility of licensing all motor vehicles and boats, collecting sales and property taxes on the same, registering voters, tabulating election results, and recording all manner of deeds, real estate and chattel mortgages as well as a myriad of other recordings. The County Clerk is also responsible for the collection of delinquent taxes and fees on delinquent tax bills received from the County Sheriff each year.

Audit Results:

The Auditor of Public Accounts has issued an unqualified opinion on the County Clerk's financial statements for calendar year 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects. There was a comment in the audit report.

- The County Clerk Should Have A Written Agreement Approved By The Board Of Directors To Protect Deposits

Receipts and Disbursements:

The financial statements of the County Clerk for calendar year 1999 reflect receipts and disbursements of \$1,046,770 and \$988,585 respectively. Approximately 94% of the County Clerk's receipts were from licenses and taxes.

Excess Fees:

The County Clerk paid excess fees of \$946 to the county for calendar year 1999.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Carlisle County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have A Written Agreement Approved By The Board Of Directors To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated October 11, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 11, 2000

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services	\$	3,006
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Fiscal Court		12,329
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	147,516
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Usage Tax		530,894
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Tangible Personal Property Tax		286,541
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Licenses-

Fish and Game		11,117
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Marriage		1,553
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Deed Transfer Tax		5,822
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Delinquent Tax		989,642
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	4,193
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Real Estate Mortgages		6,033
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Chattel Mortgages and Financing Statements		21,902
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All Other Recordings		6,516
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Charges for Other Services-

Candidate Filing Fees		50
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Title Application Fee		905
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Copywork		40,836
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Other:

Postage	\$	220
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Lienholder Penalty		302
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Interest Earned		655
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Gross Receipts (Carried Forward)	\$	1,046,770
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CARLISLE COUNTY
 THERESA OWENS, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward) \$ 1,046,770

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 117,708	
Usage Tax	514,967	
Tangible Personal Property Tax	121,144	

Licenses-

Fish and Game	10,917	
Delinquent Tax	891	
Legal Process Tax	5,847	
Candidate Filing Fees	30	
Motor Vehicle License Settlement	<u>11</u>	\$ 771,515

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 30,980	
Delinquent Tax	986	
Deed Transfer Tax	<u>5,530</u>	37,496

Payments to Other Districts:

Tangible Personal Property Tax	\$ 122,956	
Delinquent Tax	<u>2,640</u>	125,596

Payments to Sheriff 175

Payments to County Attorney 896

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$ 50,580	
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Contracted Services-

Printing and Binding	961	
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Materials and Supplies-

Office Supplies	232	
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CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Disbursements (Continued)

Operating Disbursements (Continued):

Other Charges-		
Conventions and Travel	\$ 1,041	
Overpayment	93	\$ 52,907
Total Disbursements		\$ 988,585
Net Receipts		\$ 58,185
Less: Statutory Maximum		53,639
Excess Fees		\$ 4,546
Less: Expense Allowance		3,600
Excess Fees Due County for Calendar Year 1999		\$ 946
Payment to County Treasurer - December 31, 1999		946
Balance Due at Completion of Audit		\$ 0

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.28 percent.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution pledged or provided sufficient collateral of \$50,000. However, the depository institution's board of directors or loan committee did not approve the pledge or provision of collateral.

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COMMENT AND RECOMMENDATION

CARLISLE COUNTY
THERESA OWENS, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1999

The County Clerk Should Have A Written Agreement Approved By The Board Of Directors To Protect Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). As of April 2, 1999, the County Clerk had bank deposits of \$103,092; FDIC insurance of \$100,000; and collateral pledged or provided of \$50,000. Even though the County Clerk obtained sufficient collateral of \$50,000, the pledge or provision of collateral was not approved by the board of directors of the depository institution or its loan committee. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Clerk's Response:

This will be corrected.

PRIOR YEAR FINDING:

We reported one comment in the prior year audit report concerning the pledge of securities written agreement. This year's audit includes a written agreement, which has not been approved by the bank's Board of Directors. We are commenting on this oversight in the current year audit as shown above.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable John Roberts, Carlisle County Judge/Executive
Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Carlisle County Clerk as of December 31, 1999, and have issued our report thereon dated October 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carlisle County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable John Roberts, Carlisle County Judge/Executive
Honorable Theresa Owens, Carlisle County Clerk
Members of the Carlisle County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 11, 2000

